

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING
AGREED-UPON PROCEDURES
TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY
JUNE 30, 2014**

**TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY**

JUNE 30, 2014

TABLE OF CONTENTS

Town Officials

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

Exhibits

Summary of Changes in Fund Balances - Modified Cash Basis	Exhibit 1-00
Budgetary Comparison Schedule - Modified Cash Basis General Fund.....	Exhibit 2-00
Budgetary Comparison Schedule - Modified Cash Basis Fire Equipment Fund	Exhibit 3-00
Budgetary Comparison Schedule - Modified Cash Basis 1% Sales Tax Fund	Exhibit 4-00
Hydro Development Authority Statement of Revenues, Expenses and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds	Exhibit 5-00

**TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY**

TOWN OFFICIALS

JUNE 30, 2014

Board of Trustees

Mayor	Ralph May
Councilman	Blake Bogdan
Councilman	Randy Sweeney
Councilman	Johnny Boshman
Councilman	Jackie Cloninger

Town Treasurer and Clerk

Joanna Slagell



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Specified Users of the Report:

Town Board, Town of Hydro
Hydro, Oklahoma

Trustees of the Hydro Development Authority
Hydro, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

Oklahoma Department of Commerce
Oklahoma City, Oklahoma

Management is responsible for the accompanying financial statements of the Town of Hydro, Oklahoma and Hydro Development Authority, which are comprised of a Summary of Changes in Fund Balances - Modified Cash Basis as of June 30, 2014, and the related Budgetary Comparison Schedules of the General Fund, Fire Equipment Fund, and 1% Sales Tax Fund - Modified Cash Basis, and the Statement of Revenues, Expenses and Changes in Fund Net Assets - Modified Cash Basis of the Proprietary Fund for the fiscal year then ended, included in the accompanying prescribed form in accordance with the basis of accounting prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are prepared in accordance with the basis of accounting prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, we have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town and Hydro Development Authority in meeting their financial accountability requirements as prescribed by Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3 and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2014. Management of the Town of Hydro is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the additional requirements prescribed in Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As to the Town of Hydro, Oklahoma as of and for the fiscal year ended June 30, 2014:

1. Procedures Performed: From the Town's trial balances, we prepared a schedule of changes in fund balances for each fund (See accompanying Exhibit 1-00) and compared the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: No instances noted.

2. Procedures Performed: From the Town's trial balances, we prepared a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund (See accompanying Exhibit 2-00, 3-00 and 4-00) and compared the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

Findings: At June 30, 2014, the Town's General Fund exceeded budgeted appropriations by \$165,029.88. The Town must continually monitor their expenses and compare them to budgeted appropriations to ensure budgeted appropriations are not exceeded. When it appears the expenses may exceed the budget, a supplemental appropriation can be made if the additional funds are available to help keep the Town from overexpending their budget.

3. Procedures Performed: We agreed the Town's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: During our procedures performed for the General Fund, we noted where the Town's accounting records were not in agreement with the corresponding bank account balances. This occurred because the Treasurer was not reconciling the accounting records with the bank statements. Procedures should be performed monthly to reconcile the bank account balances to the accounting records to ensure proper and accurate postings. These reconciliations must be performed in a timely manner so that accurate accounting records can be submitted to the Town Board at their monthly meetings for approval and to help with financial decisions. Timely prepared bank reconciliations will help ensure the Town's accounting records are accurate and properly stated.

4. Procedures Performed: We compared the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances noted.

5. Procedures Performed: We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: During our procedures performed for the Fire Equipment Fund, we noted where the Town borrowed \$69,010.00 from the Bank of Hydro, Hydro Oklahoma on July 27, 2012 to help with the purchase of a 2005 Ford LDR145 Rescue Vehicle. At fiscal year ending June 30, 2013, the balance owed on this loan was \$20,313.62 which carried over into the fiscal year ending June 30, 2014. This loan the Fire Equipment Fund obtained under the umbrella of the Town of Hydro is a violation of the Oklahoma Constitutional Debt Limitation contained in Article 10, Section 26 of the Oklahoma Constitution. That section provides that Oklahoma municipalities may not incur debt to be paid out of revenues of a future fiscal year unless the debt is approved by three-fifths of the voters thereof, and general obligation bonds are issued to retire the debt. Payment of the bond obligation is accomplished by a mill levy on real property located within the municipality, and the constitution limits the indebtedness to 10% of the valuation of taxable property therein. Once the Town learned they were in violation of the Oklahoma Constitutional Debt Limitation, they immediately paid off the \$20,313.62 loan balance on January 10, 2014 to get the Town back in compliance.

The regulations for borrowing funds are structured differently for Public Trusts or Authorities such as the Hydro Development Authority.

During our procedures performed for the 1% Sales Tax Fund, we noted where the Town Board approved a bid proposal on April 1, 2014 submitted by the Town Clerk/Purchasing Officer's husband in the amount of \$5,000 for the renovation of the new town hall building. The bid was to remove the existing wallpaper, and then sand, seam, tape, texture and paint 3,354 square feet of surface area in the new town hall building. On April 1, 2014, the Town Clerk/Purchasing Officer approved a purchase order issued to her husband to perform these town hall renovations. This issuance of a purchase order by the Town Clerk/Purchasing Officer to her husband appears to be a violation of the conflict of interest laws in Title 11, §8-113 of the Oklahoma Statutes. Title 11, §8-113 of the Oklahoma Statutes state that no municipal officer or employee, or any business in which the officer, employee, or spouse of the officer or employee has a proprietary interest, shall engage in contracting with the municipality. The provisions of these sections shall not apply to any officer or employee of any municipality of this state with a population of not more than 5,000 according to the latest Federal Decennial Census, who has a proprietary interest in a business which is the only business of that type within 5 miles of the corporate limits of the municipality. However, any activities permitted by this subsection shall not exceed \$2,500 for any single activity and shall not exceed \$15,000 for all activities in any calendar year.

Provisions of the aforementioned sections shall not apply where competitive bids were obtained consistent with municipal ordinance or state law and two or more bids were submitted for the materials, supplies, or services to be procured by the municipality regardless of the population restrictions, provided the notice of bids was made public and open to all potential bidders. All bids, both successful and unsuccessful, and all contracts and required bonds shall be placed on file and maintained in the main office of the awarding municipality for a period of 5 years from the date of opening of bids or for a period of 3 years from the date of completion of the contract, whichever is longer, and shall be open to public inspection and shall be matters of public record. The Town could not provide us documentation for the notice of competitive bidding consistent with municipal ordinance or state law for this project, nor were we provided with any additional bids other than the bid of the Town Clerk/Purchasing Officer's husband.

During our procedures for the General Fund, we noted the following cash transfers from the Hydro Development Authority Fund to the Town of Hydro General Fund that were not approved by the Town Board: \$15,000 for September 2013, \$20,000 for October 2013, \$35,000 for November 2013, and \$515 for December 2013 for a grand total of \$70,515. Title 60, §176 (A) of the Oklahoma Statutes requires that all transfers between funds have express approval by a 3/5 vote of the governing body before any transfers between funds can be made.

6. Procedures Performed: We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances noted.

7. Procedures Performed: We compared the Town's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances noted.

As to the Hydro Development Authority as of and for the fiscal year ended June 30, 2014:

1. Procedures Performed: From the Authority's trial balances, we prepared a schedule of revenues, expenditures/expenses and changes in fund balances/net assets for each fund (See accompanying Exhibit 5-00) and compared the schedule results to the applicable trust prohibitions for creating fund balance deficits to report any noted instances of noncompliance.

Findings: No instances noted.

2. Procedures Performed: We agreed the Authority's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: During our procedures performed for the Hydro Development Authority Fund, we noted where the Authority's accounting records were not in agreement with the corresponding bank account balances. This occurred because the Treasurer was not reconciling the accounting records with the bank statements. Procedures should be performed monthly to reconcile the bank account balances to the accounting records to ensure proper and accurate postings. These reconciliations must be performed in a timely manner so that accurate accounting records can be submitted to the Authority's Board at their monthly meetings for approval and to help with financial decisions. Timely prepared bank reconciliations will help ensure the Authority's accounting records are accurate and properly stated.

3. Procedures Performed: We compared the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances noted.

4. Procedures Performed: We compared the Authority's use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: During our procedures for the Hydro Development Authority Fund, we noted the following cash transfers from the Hydro Development Authority Fund to the Town of Hydro General Fund that were not approved by the Authority's Board: \$15,000 for September 2013, \$20,000 for October 2013, \$35,000 for November 2013, and \$515 for December 2013 for a grand total of \$70,515. Title 60, §176 (A) of the Oklahoma Statutes requires that all transfers between funds have express approval by a 3/5 vote of the governing body before any transfers between funds can be made.

5. Procedures Performed: We compared the accounting for the Authority's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances noted.

6. Procedures Performed: We compared the Authority's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL, AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
September 20, 2017

Town of Hydro, Oklahoma &
Hydro Development Authority
Summary of Changes in Fund Balances -
Modified Cash Basis
For the Year Ended June 30, 2014

<u>Town:</u>	Beginning of Year Fund Balance	Receipts	Disbursements	Transfers	End of Year Fund Balance
General Fund	\$ 36,849.42	\$ 317,810.89	\$ 420,284.90	\$ 70,515.00	\$ 4,890.41
Street & Alley Fund	84,837.14	9,667.72	14,155.62	0.00	80,349.24
Grant Fund	0.00	0.00	0.00	0.00	0.00
Fire Equipment Fund	46,582.13	25,822.36	42,879.03	8,000.00	37,525.46
EMS Fund	7,491.59	6,361.87	5,300.39	(8,000.00)	553.07
Penalty Assessment Fund	174.79	551.00	483.34	0.00	242.45
Depot Fund	2,752.33	9.70	0.00	0.00	2,762.03
1% Sales Tax Fund	68,688.61	73,928.71	81,444.08	0.00	61,173.24
Meter Deposit Fund	5,038.03	0.00	0.00	(5,038.03)	0.00
Town Subtotal	<u>252,414.04</u>	<u>434,152.25</u>	<u>564,547.36</u>	<u>65,476.97</u>	<u>187,495.90</u>
<u>Enterprise Funds:</u>					
Hydro Development Authority	<u>721,756.02</u>	<u>583,071.15</u>	<u>358,259.98</u>	<u>(65,476.97)</u>	<u>881,090.22</u>
Enterprise Funds Subtotal	<u>721,756.02</u>	<u>583,071.15</u>	<u>358,259.98</u>	<u>(65,476.97)</u>	<u>881,090.22</u>
Grand Total	<u>\$ 974,170.06</u>	<u>\$ 1,017,223.40</u>	<u>\$ 922,807.34</u>	<u>\$ 0.00</u>	<u>\$ 1,068,586.12</u>

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Modified Cash Basis
 General Fund
 For the Year Ended June 30, 2014

Revenues	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Sales Tax	\$ 162,110.07	\$ 162,110.07	\$ 205,697.43	\$ 43,587.36
Use Tax	0.00	0.00	0.00	0.00
Surcharges	15,160.50	15,160.50	36,065.00	20,904.50
Fees and Penalties	1,263.83	1,263.83	1,375.65	111.82
Interest	0.00	0.00	493.68	493.68
Alcohol Beverage Tax	7,691.09	7,691.09	8,889.07	1,197.98
Franchise Tax	21,196.08	21,196.08	29,160.00	7,963.92
Miscellaneous	0.00	0.00	4,041.66	4,041.66
Dog Pound Fees	0.00	0.00	254.00	254.00
Police Fines	8,063.33	8,063.33	12,262.00	4,198.67
Cigar Tax	2,920.70	2,920.70	3,178.55	257.85
Donations	0.00	0.00	0.00	0.00
Rental Income	0.00	0.00	1,300.00	1,300.00
Swimming Pool Admissions	0.00	0.00	8,500.79	8,500.79
Oklahoma Highway Safety Office Grant	0.00	0.00	3,855.00	3,855.00
Oklahoma Department of Libraries Aid	0.00	0.00	2,663.00	2,663.00
Total Revenues	218,405.60	218,405.60	317,735.83	99,330.23
<u>Expenditures</u>				
Personal Services	160,000.00	160,000.00	248,578.84	(88,578.84)
Maintenance and Operations	95,255.02	95,255.02	167,851.06	(72,596.04)
Capital Outlay	0.00	0.00	3,855.00	(3,855.00)
Total Expenditures	255,255.02	255,255.02	420,284.90	(165,029.88)
Excess Revenues Over (Under) Total Expenditures	(36,849.42)	(36,849.42)	(102,549.07)	(65,699.65)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	70,515.00	70,515.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Adjustments to Prior Year Warrants Outstanding	0.00	0.00	75.06	75.06
Net Other Financing Sources (Uses)	0.00	0.00	70,590.06	70,590.06
Excess of Revenues and Other Sources over Expenditures and Other Uses	(36,849.42)	(36,849.42)	(31,959.01)	4,890.41
Budgetary Fund Balance, Beginning	36,849.42	36,849.42	36,849.42	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	4,890.41	\$ 4,890.41
Adjustments to Conform with GAAP: Revenue Accruals			0.00	
Fund Balance, End of Year (GAAP Basis)			\$ 4,890.41	

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Modified Cash Basis
 Fire Equipment Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				Favorable
				(Unfavorable)
Interest	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Sales Tax	0.00	0.00	5,827.65	5,827.65
Miscellaneous	0.00	0.00	0.00	0.00
Donations	0.00	0.00	10,030.00	10,030.00
Fire Run Reimbursements	0.00	0.00	4,332.43	4,332.43
Proceeds from Sale of Property	0.00	0.00	0.00	0.00
State Funding Revenue	0.00	0.00	4,473.98	4,473.98
ASCOG REAP Grant	0.00	0.00	0.00	0.00
FEMA Assistance to Firefighters Grant	0.00	0.00	0.00	0.00
FEMA Fire Management Assistance Gra	0.00	0.00	1,158.30	1,158.30
Total Revenues	0.00	0.00	25,822.36	25,822.36
<u>Expenditures</u>				
Maintenance and Operations	15,000.00	15,000.00	12,075.52	2,924.48
Capital Outlay	11,268.61	11,268.61	10,489.99	778.62
Total Expenditures	26,268.61	26,268.61	22,565.51	3,703.10
Excess Revenues Over (Under)				
Total Expenditures	(26,268.61)	(26,268.61)	3,256.85	29,525.46
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	8,000.00	8,000.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Proceeds of Long-Term Debt	0.00	0.00	0.00	0.00
Reduction of Long-Term Debt	(20,313.52)	(20,313.52)	(20,313.52)	0.00
Adjustments to Prior Year Warrants	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	(20,313.52)	(20,313.52)	(12,313.52)	8,000.00
Excess of Revenues and Other Sources				
over Expenditures and Other Uses	(46,582.13)	(46,582.13)	(9,056.67)	37,525.46
Budgetary Fund Balance, Beginning	46,582.13	46,582.13	46,582.13	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	\$ 37,525.46	\$ 37,525.46

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Modified Cash Basis
 1% Sales Tax Fund
 For the Year Ended June 30, 2014

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Sales Tax	\$ 0.00	\$ 15,000.00	\$ 66,750.80	\$ 51,750.80
Use Tax	0.00	0.00	7,177.91	7,177.91
Miscellaneous	0.00	0.00	0.00	0.00
Total Revenues	0.00	15,000.00	73,928.71	58,928.71
<u>Expenditures</u>				
Maintenance and Operations	0.00	0.00	0.00	0.00
Capital Outlay	68,688.61	83,688.61	81,444.08	2,244.53
Total Expenditures	68,688.61	83,688.61	81,444.08	2,244.53
Excess Revenues Over (Under) Total Expenditures	(68,688.61)	(68,688.61)	(7,515.37)	61,173.24
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	0.00	0.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
Excess of Revenues and Other Sources over Expenditures and Other Uses	(68,688.61)	(68,688.61)	(7,515.37)	61,173.24
Budgetary Fund Balance, Beginning	68,688.61	68,688.61	68,688.61	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	\$ 61,173.24	\$ 61,173.24

See Accountant's Report.

Hydro Development Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Modified Cash Basis
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund
Operating Revenues:	
Water	\$ 199,489.74
Sewer	133,990.40
Garbage	100,216.52
Use Tax	21,533.75
Wheat Sales	3,760.90
EPA Clean Water Act Grant (Indian Health Service)	123,800.00
Miscellaneous Revenue	0.00
Total Operating Revenues	<u>582,791.31</u>
Operating Expenses:	
Water:	
Personal Services	25,827.34
Maintenance and Operations	25,729.00
Sewer:	
Personal Services	44,645.20
Maintenance and Operations	73,394.69
Garbage:	
Maintenance and Operations	96,157.93
General Operations:	
Interest Expense	86,891.82
Depreciation	5,614.00
Total Operating Expenses	<u>358,259.98</u>
Operating Income (Loss)	<u>224,531.33</u>
Non-Operating Revenues (Expenses):	
Interest Revenue	279.84
Miscellaneous	0.00
Total Non-Operating Revenues (Expenses)	<u>279.84</u>
Income (Loss) before Operating Transfers	<u>224,811.17</u>
Operating Transfers:	
Operating Transfers In	5,038.03
Operating Transfers Out	(70,515.00)
Total Operating Transfers	<u>(65,476.97)</u>
Net Income (Loss)	159,334.20
Net Assets - Beginning of Year	721,756.02
Prior Period Adjustments	0.00
Net Assets - End of Year	<u>\$ 881,090.22</u>

See Accountant's Report.